LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6896 | **NOTE PREPARED:** Jan 20, 2009
BILL NUMBER: HB 1498 | **BILL AMENDED:**

SUBJECT: PERF and TRF Death Benefit.

FIRST AUTHOR: Rep. Ruppel | **BILL STATUS:** As Introduced
FIRST SPONSOR:

FUNDS AFFECTED: X GENERAL | **IMPACT:** State
X DEDICATED
FEDERAL

Summary of Legislation: This bill:(1) reduces from 15 to 10 the number of years of creditable service that a member of the Public Employees' Retirement Fund (PERF) must earn for a surviving spouse or surviving dependent to receive a survivor benefit; (2) removes the requirement that a member of the Indiana State Teachers' Retirement Fund (TRF), with 10 years of creditable service, must be 65 years of age at the time of death for a surviving spouse or surviving dependent to be eligible for a survivor benefit; (3) provides that a surviving spouse or surviving dependent of an active or inactive member of PERF or TRF is entitled to a survivor benefit. (Current law provides that a surviving spouse or surviving dependent of an active service member of PERF or TRF is entitled to a survivor benefit.); (4) makes the changes retroactive to January 1, 2007; (5) provides that PERF and TRF are required to make a reasonable effort to notify certain surviving spouses or surviving dependents of changes made by this act.

Effective Date: Upon passage; January 1, 2007 (retroactive).

Explanation of State Expenditures: *Public Employees' Retirement Fund (PERF):* (1) The impact of reducing the number of years of creditable service required is shown in the table below.

	State	Political Subdivisions	Total
Increase in Unfunded Accrued Liability	$4,910,000	$5,720,000	$10,630,000
Increase in Annual Cost	$757,000	$1,137,000	$1,893,000
Increase in Annual Cost (as % of Pay)	0.049%	0.042%	0.058%

There is no change in the funded status from 97.5%. The funds affected are the state General Fund (55%), or $416,350, and various dedicated funds (45%), or $340,650. The percentage split represents the split in the personal services of the state Budget.

Teachers' Retirement Fund (TRF): (2) The impact of reducing the number of years of creditable service required is shown in the table below:.

	Pre-1996 Account*	1996 Account**	Total
Increase in Unfunded Accrued Liability	$3 M	$9 M	$12 M
Increase Annual Cost	$20,000 *	$800,000	$820,000
Increase in Annual Cost (as % of Payroll)		0.4%	0.4%

* Since the Pre-1996 Account is on a pay-as-you-go basis, the annual cost is the increase in the amount of benefits paid each year. The initial impact is expected to be about $20,000 (without considering retroactive application), increasing to a maximum benefit payout increase of about $400,000 in 20 years, gradually decreasing after 20 years. The ultimate cost of this proposal for the Pre-1996 Account is the increase in the present value of benefits due to these changes, approximately $3 M**.** The fund affected is the state General Fund.

** The 1996 Account is prefunded. The ultimate cost for this proposal for the 1996 Account is the increase in the present value of benefits due to these improvements, approximately $9 M.

(4) Requiring both PERF and TRF to make reasonable efforts to notify certain surviving spouses or surviving dependents will increase mailing costs associated with these efforts. The proposal defines reasonable to mean mailing notification of changes as proposed to the member's last known address. The funds affected are the respective administrative funds for both PERF and TRF.

Explanation of State Revenues:

Explanation of Local Expenditures: See *Explanation of State Expenditures.*

Explanation of Local Revenues:

State Agencies Affected: All

Local Agencies Affected: Those units with members in PERF and school corporations with members in TRF.

Information Sources: Doug Todd of McCready & Keene, Inc., actuaries for PERF, 317-576-1508; John Dowell, Alliance Benefit Group, actuaries for TRF, 317-803-7832.

Fiscal Analyst: James Sperlik, 317-232-9866.